

Accounting Historians Journal

Volume 6
Issue 1 *Spring 1979*

Article 5

1979

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T. Khodadoust

Paul Frishkoff

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Khodadoust, T. and Frishkoff, Paul (1979) "On mercantile accounting in pre-industrial Iran," *Accounting Historians Journal*: Vol. 6 : Iss. 1 , Article 5.

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T. Khodadoust
UNIVERSITY OF TEHRAN

Paul Frishkoff
UNIVERSITY OF OREGON

ON MERCANTILE ACCOUNTING IN PRE-INDUSTRIAL IRAN

Abstract: Iranian village accounting, which we studied by translating and analyzing the records of a trading house in the early twentieth century, was relatively unaffected by Western contact. The records were kept on a slightly modified cash basis, single-entry, with little distinction between business and personal transactions; this mirrors accounting practices in many "developing" societies. What was indeed unique was a distinctive set of numerical symbols, comprehensible to but a few initiates in each community, and whose primary goal was secrecy and privacy of the records. The system was used well before 1900 and is still in use in some rural areas today.

Although the study of the history of accounting has recently achieved a new height in popularity, research into non-Western accounting history has been slight. To be sure, acknowledgment is given to the Mesopotamians and other contributors to the "ancient" development of accounting, as well as to the Arabs for their numerical system. But later developments, particularly in that very "cradle of civilization" tend to be ignored. One can only speculate on the reasons: Few Western researchers are conversants with the languages used in the "third world." The preservation of accounting records through libraries and other means has been haphazard. Perhaps, too, there simply hasn't been that much interest in this subject, or at least it has been easier to channel research energy into more "obvious" developments in the corporate, industrial, Western world.

In this article, we examine a system of bookkeeping which evolved among the merchants of Iran (Persia) and which is still in use in some of the more remote villages. Its unique features merely dramatize what many of us already accept: that accounting systems arise to meet the needs of the particular situation.

The trading houses of Iran were primarily family-owned or at least very closely held enterprises. There was little distinction between

ownership and management, and little or no need for tailoring reports to the "usual" external readers: stockholders, bankers, or, for that matter, even to government. There was, however, a system of short-term credit, particularly for the sale and purchase of merchandise.

The senior author was fortunate enough to obtain access to some old Iranian accounting records, those of "The Trading House of Mirza Mahmood Foroughi and Sons" for the years 1897 to 1944 (1315 to 1363 on the Islamic lunar calendar).

The trading house was a family-owned business in the city of Kashan. (The authors wish to acknowledge the contribution of Mr. Ata'u'llah Foroughi, who not only traveled from Teheran to Kashan to find these records, but also literally unearthed them from a storage room in which they had served as partial sustenance for assorted rodents and insects!) Although there is no existing scholarly literature on pre-industrial Persian accounting, discussions with several aged Iranian merchants and businessmen lead us to conclude with relative certainty that these records were more or less typical of their time.

The Language of Business?

The actual words used in bookkeeping were in the Persian (Farsi) language. But the numerical symbols were written in "Siagh," a set of numerical abbreviations using combinations of Persian alphabetic symbols. Thus, although Arabic numerals had been used in Persia for centuries, the merchant class consciously *chose* to use Siagh for monetary recordkeeping. As the reader can see from Table I, Siagh resembles a kind of shorthand; the resemblance is more than coincidental.

Unlike Arabic numerals, which were in fairly common use, Siagh was known and understood by only a few people in any given community. It is difficult to learn, even more difficult to write, and particularly vexing to read if the handwriting is other than that of the reader. Thus, only the owner, partners (if any) and other trusted parties were able to read easily the accounts of a given trading house. Secrecy, which was an underlying premise in business conduct in Persia, was protected by the use of Siagh; in that sense, it served a thoroughly utilitarian end.

Not only the actual books of account, but most other business documents, invoices, and bills were in Siagh. Thus, even if competitors somehow gained access to one's records, they would find

the numerical information at least partly incomprehensible. In fact, we asked several veteran merchants knowledgeable in Siagh to assist in translating a portion of the books of Foroughi and Sons; there were still a few figures which they were unable to read or translate for us!

Since Siagh is essentially a kind of handwriting, no two people's Siagh are identical. Thus, if someone other than the usual trusted accountant were to make an entry in the records, it would be readily identifiable as unusual and suspect. Further, it was easy to tell, if different bookkeepers were used, who had made which entries. This facilitated internal control and what passed for internal audit.

Siagh was also used in business correspondence in order to maintain secrecy.

Talab and Vajdh

The books of Foroughi and Sons appear to have been kept in an orderly manner. They consisted of a journal and a ledger.

The journal is a book measuring 14 inches x 9 inches, with 2 columns per page; since two pages were used concurrently, we actually have a 4-column journal. The headings are: outgoing merchandise; incoming merchandise; cash payments; cash receipts (reading in the conventional Western manner from left to right; note, however, that Farsi is—like Abric—written from right to left). The two cash columns thus constituted a cash journal.

No transactions other than those involving *cash* or *merchandise* were journalized. In essence, then, a modified cash basis was employed, with accruals for purchase or sale of merchandise being the only accruals recognized. We can only speculate that other potentially accruable expenses and revenues weren't deemed to be material, since a mechanism for incorporating them could have easily been superimposed on the existing system.

A new set of journal pages was used for each day with the (lunar) date written at the top. It is evident that the system was by no means a complete double-entry system. Cash flows—receipts or payments—normally affected cash and one other account; payments in kind, which were surprisingly frequent, affected only one account. One concomitant of this is that no records were kept of assets other than cash, receivables, and inventory; in particular, fixed assets weren't recorded.

The daily journal for cash receipts began with the prior day's ending balance. At the end of each day, the new cash balance was

calculated and carried forward. There was a daily count of cash on hand (actually, in a safe), and any differences between book and counted balance were investigated.

There was no general ledger. The ledger which did exist, and which was the same size as the journal, functioned only as a subsidiary ledger for both accounts receivable and accounts payable. Thus, there was no accounting record of any liability other than (trade) accounts payable, and none at all for owners' equity.

Rather than keeping a single ledger page in the name of a debtor or creditor, the trading house kept a separate account for every batch of related transactions with an individual, so that, at any one time, we might find several different pages in the name of a particular supplier or customer. For example, the following accounts were all open concurrently in the name of a customer, Haji Heidar-Ali (the dates are from the lunar calendar):

—"Receivable from Haji Heidar-Ali for goods (sugar) sold to him on account on Muharram 10th."

—"Receivable from Haji Heidar-Ali for goods sold to him on account on Muhurram 25th."

—"Receivable from Haji Heidar-Ali for goods sold to him on account on Safar 3rd."

—"Receivable from Haji Heidar-Ali for goods sold to him on account on Safar 15th."

—"Receivable from Haji Heidar-Ali for goods sold to him on account on Rabi'ul'Avval 8th."

—"Receivable from Haji Heidar-Ali for goods sold to him on account on Rabi'u'Thani 5th."

When an account was completely settled, it was ruled and closed forever. A subsequent transaction with the same customer would engender the use of a new ledger page.

Each customer's account in the ledger had two sides. The right side was labeled "Talab" meaning "receivable;" the left side was labeled "Vajdh" meaning "receipts." (Literally translated, though, "Vajdh" means "amount of money.") Thus, "debits" were entered on the right-hand side of the account. For the particular business which we examined, almost all the receivables were from retailers, since the trading house was a wholesaler only.

Accounts payable, though few in number, were treated in the ledger similarly to accounts receivable.

The cash journal—that is, the two cash columns in the journal—served a dual function as the cash account for the ledger. Journal entries for cash receipts and payments were posted, in single-entry fashion—to the account of the particular debtor or creditor for the already existing sale or purchase on account. (Cash sales and purchases were not a business practice of this trading house.) Receipts or expenditures for other purposes, which were quite rare, were posted to special revenue or expense accounts. Of course, under this single-entry system, purchases and sales themselves were normally not entered into the ledger, so that construction of any kind of income statement would have been extremely tedious!

For control purposes, records were kept separately of the *physical* numbers of various inventory items, without appending any monetary valuation.

When a journal entry was posted to the ledger, the page number of the ledger was superimposed on the entry in red. (Red ink did not have the usual Western connotation!) In addition to a monetary amount (in rials usually, abbreviated as R or as Rls; occasionally in tumans, a tuman being 10 rials), each entry contained an explanation of the transaction, the name of the customer or supplier, and a weight or volume measure of the merchandise involved.

In rare instances, presumably at the discretion of management, separate accounts were kept for sales and purchases of certain merchandise transactions, a sort of direct-cost, job-order approach. Thus, an occasional ledger page can be found with a heading such as one of the following: "Purchase of wool from Boroujerd," "Sales of Boroujerd wool," "Cost of merchandise purchased from Yazd," "Sales of merchandise purchased from Yazd," where Boroujerd and Yazd are names of cities.

These few nominal accounts included all direct costs, such as transportation and commission, so that profitability, on a gross margin basis, could be computed more easily, probably to facilitate future decision-making. Indirect costs were not allocated. Nominal accounts weren't closed to any sort of overall income account, and no owners' equity accounts were kept.

No financial statements were prepared annually—or at all for that matter! Overall profitability was never assessed, since a concept of income, based on matching or accretion or whatever, simply wasn't utilized. On a daily basis, the only flow calculation was the difference between cash receipts and cash payments.

As in the records of cash basis, closely-held enterprises in other countries, those of the Foroughi trading house frequently comingled

business and personal expenditures. For instance, among the cash payments for Shavval 12, 1352 (sometime in 1933 by our calendar), we find the following:

“Mother’s doctor and injection fee,” “Fee paid to baker for family bread,” “Mason’s fee for the new house,” “Tailor’s fee for the small boys’ suits,” “The servant’s cigarettes,” “Dentist’s fee for the younger brother.”

We have included as appendices to this paper:

A “glossary” of Siagh symbols; an excerpt from the journal for two days in 1944, translated into English by the senior author.






































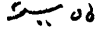
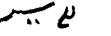






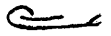



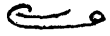


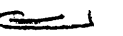

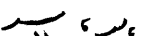
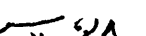
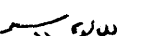



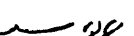



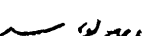
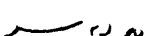

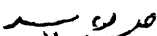




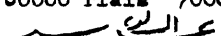
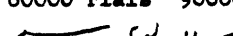
Conclusions

At the beginning of this paper, we pointed out the paucity of research (published in English, at least) on “non-Western” accounting. In many ways, Iran—particularly the villages and areas other than Teheran—is like a control subject in a laboratory experiment. It has been relatively “uncontaminated,” at least in its accounting, by “Western contact;” Iran itself was not really the colonial enclave of any Western power. Of course, neither was it a Shangri-La; that is, it had not been completely isolated, either from the West or from its Asiatic neighbors.

The system of bookkeeping which developed in the villates, then, was both unique to Iran and not bizarrely dissimilar to systems used elsewhere. Its most striking characteristic is the “secret” numerical system. This certainly mirrors an aspect of the culture: a rather closed secretive and proprietary point of view. (Notice the reference to the “stranger” from Aran in the appendix.) One other aspect which is different from Western practices of modern times is the treatment of each transaction with a given entity as a separate venture, yet this may merely have been a matter of convenience and not a particularly important one at that. Some of the other characteristics: modified single-entry, no financial statements as we know them, commingling of business and personal transactions, can be found in many nations and contexts.

The system used by the Foroughi trading house is representative of the accounting systems and procedures most commonly used in Iran before 1900, and much more recently in some regions, since modern European (primarily English and French) practices spread only gradually. It appears to have sufficed for its time and place.

Siagh Symbols

					
1 dinar	2 dinars	3 dinars	4 dinars	5 dinars	6 dinars
					
7 dinars	8 dinars	9 dinars			
					
10 dinars	20 dinars	30 dinars	40 dinars	50 dinars	
					
60 dinars	70 dinars	80 dinars	90 dinars		
					
100 dinars	200 dinars	300 dinars	400 dinars	500 dinars	
					
600 dinars	700 dinars	800 dinars	900 dinars		
					
one rial	2 rials	3 rials	4 rials	5 rials	
					
6 rials	7 rials	8 rials	9 rials		
					
10 rials	20 rials	30 rials	40 rials	50 rials	
					
60 rials	70 rials	80 rials	90 rials		
					
100 rials	200 rials	300 rials	400 rials	500 rials	
					
600 rials	700 rials	800 rials	900 rials		
					
1000 rials	2000 rials	3000 rials	4000 rials	5000 rials	
					
6000 rials	7000 rials	8000 rials	9000 rials		
					
10000 rials	20000 rials	30000 rials	40000 rials	50000 rials	
					
60000 rials	70000 rials	80000 rials	90000 rials		
					
100,000 rials		1,000,000 rials			

BUSINESS JOURNAL

Date: Monday 23rd and Tuesday

Date: Monday 24th and Tuesday 25th Bahman, 1322

(February 13th and 14th, 1944)

Amount Rials	Cash Out	Ledger Ref.	Amount Rials	Cash In	Ledger Ref.
9800.—	Mr. Lame' for promissory note	1,339	18475.65	Beginning Balance	
			1000.—	Two items, Mohammad Agha	1,368
1540.—	Construction Exp.	2,52	(x) 500.—	Akbar Darbe Zanjeer for the Corn	1,374
			2123.—	M. Reza Malek Nia for raisins	1,339
50.—	Broker's fee	2,65	2000.—	Aunt's Hussain for the wheat	1,351
			1072.50	Stranger from Aran 3 items, for dates	x
2430.—	Ostad Reza the Shoe maker	1,37	1200	Fazel, for dates	1,331
63.—	Telephone Call to Arak	2,66			
450.—	Interest Expense	2,96			
30909.65	Cash closing Balance		16000.—	Ali Ghanned for Sugar	1,358
76811.15	TOTAL				
	Rest of Cash In's				
6000.—			2000.—	HadjiMasha-Allah for the wheat	1,338
500.—	V. Shekar Riz for the dates	1,373	1200.—	Jaberi for dates	1,373
500.—	Ali Mohammad for wheat	1,361	1000.—	Sadooghi for dates	1,364
(xx) 500.—	Agha Javad Khashani for the dates	1,367			
76811.15	TOTAL		4000.—	Ostad Abbas for raisins	1,37

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KASHAN - FOROUGHİ SONS

Date: 24th and 25th of Bahman, 1322

Amount Rials	Outgoing Merchandise	Ledger Ref.	Amount Rials	Incoming Merchandise	Ledger Ref.
	Raisins from Azad	2,122	20,000.—	M. Ebrahim-Expiry Bahman 28th.	1,37
	A. G. Toghani, 14 manns, at 6 Toomans per "mann", two months	1,27			
	Akbar Darbe Zanjeer, 47 manns at 6 Toomans 2 months	1,374	2430.—	Ostad Reza	1,37
	Ostad Ghanbar, 27 manns at 6 Toomans, 2 months	1,37	2000.—	Draft on Y. Hadji- Zadeh, one day after "sight".	
	Hassan D. E. 12 manns at 6 Toomans, 3 months	1,37	2542.—	Ali A. Jahani	1,37
				Wheat	1,117
	Masha' Aliah, 43 manns, at 6 Toomans, 2 months	1,37	2000.—	Draft on Yoosef Hadji Zadeh, one day after sight	
	Dates	2,116			
1792.50	Hussain Ostad Ghssem 44 manns at 4 Toomans	1,364			
2650.—	Akbar Darbe Zanjeer, 66 manns	1,374			
821.20	Agha Javad Kashani, 20 manns	1,367			

NOTES:

1. Cash In's consist mainly of two types of transactions: "cash sales" and "cash received from debtors for previous on account sales". The cash sale item of Rls. 1072.50 to a "stranger" has not been posted to any ledger account. Other cash receipts have been posted to their respective customers' accounts. For example, Rls. 500 received from Akbar Darbe Zanjeer (x), for corn previously sold to him on account, has been posted to his account under no. 1,374 in the ledger. Or, Rls. 500 received from Agha Javad Kashani (xx), for dates previously sold to him on account, has been posted to his account under no. 1,367 in the ledger.
2. Cash out items are expenses and fees such as the construction expense item of Rls. 1540; or they are money paid for various notes and accounts payable and to different creditors. Each of these, in turn, have been posted to their respective accounts in the ledger.
3. The cash in/out side of the journal has been totalled at the end of the day (February 14th) and closing cash balance has been verified and recorded as under.

February 13th beginning balance	Rls. 18475.65
Total Cash in on Feb. 13th and 14th	" 58335.50
TOTAL	76811.15
Total cash out	45901.50
Closing cash balance—February 14th.	30909.65
4. A major part of the outgoing merchandise transactions have been recorded in "siagh". All of these items are (apparently) sales made on account with an average collection period of two months. Others for which the amounts have been written in Arabic numerals are (probably) sales of short term or cash nature.
5. The "Incoming Merchandise" column includes all kinds of "non-cash" such as collectible drafts and notes.
6. A "Mann" of Kashan equalled six kilograms.